

Message Text

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PAGE 01 JIDDA 01462 231222Z
ACTION SS-25

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C O N F I D E N T I A L JIDDA 1462

EXDIS

E.O. 11652: GDS
TAGS: EINV, ENRG
SUBJECT: PROPOSED USG COMMUNICATION TO SAG AFTER SIGNING OF ARAMCO
AGREEMENTS

REF STATE 004318

1. WE WERE SOMEWHAT SURPRISED BY DEPARTMENTAL
STATEMENT ON EXPROPRIATION, AND HAVE MADE NO EFFORT TO
BRING IT TO SAG'S PARTICULAR ATTENTION. RATHER, WE
HAVE A NUMBER OF QUESTIONS WHICH WE WOULD LIKE TO RAISE.
AS WE UNDERSTAND IT, USG POLICY IN PAST HAS BEEN TO
ACCEPT COMPENSATION SETTLEMENTS ARRIVED AT BY THE
PARTIES. DOES OUR STATEMENT NOW IMPLY A GENERAL CHANGE
IN THAT POLICY, AND A MORE ACTIVE ROLE FOR USG IN
FUTURE NATIONALIZATION (PRE-OR POST-) NEGOTIATIONS?
IF WE ARE NOT ENGAGED IN THE NEGOTIATIONS-AS WE CLEARLY
ARE NOT IN THE ARAMCO CASE-AND YET RESERVE OUR RIGHT TO
EXPECT TO PRESENT A CLAIM FOR ADDITIONAL COMPENSATION?
COULD SUCH A CLAIM BY PRESENTED EVEN IF THE PARTIES
PROFESSED THEMSELVES SATISFIED WITH THE SETTLEMENT
REACHED? FINALLY, IS OUR NEW POLICY DESIGNED TO COVER
ALL EXPROPRIATIONS, OR IS IT A GENERALIZATION FROM THE
SPECIFIC ARAMCO CASE?

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2. ON THE ARAMCO NEGOTIATION-FOR WHICH OUR NEW POLICY
STATEMENT SEEMS TO HAVE BEEN TAILOR MADE-WE SUBMIT THAT
A USG RESERVATION OF ITS (UNDEFINED OR UNILATERALLY
DEFINED) RIGHTS TO OBJECT TO POSSIBLE LATER DEVELOPMENTS
WOULD HAVE LITTLE PRACTICAL EFFECT IN INHIBITING THE SAG
FROM COURSES OF ACTION WHICH IT MAY AT SOME DATE WANT OR
FEEL OBLIGATED TO TAKE. THE CONSTRAINTS ON THE SAG IN ITS

ACTIONS TOWARD THE OIL COMPANIES COME MORE FROM THE TOTAL AND CLOSELY INTERDEPENDENT USG-SAG RELATIONSHIP, INCLUDING SUCCESS OR FAILURE IN REACHING SHARED GOALS SUCH AS A PEACE SETTLEMENT WHICH COULD REMOVE THE ARAB-ISRAELI DISPUTE AS AN IRRITANT. RESERVING OUR RIGHTS, AS CONTEMPLATED IN THE PROPOSED NOTE, WOULD SCARCELY IMPROVE THAT RELATIONSHIP-IT BOTH QUESTIONS SAG GOOD FAITH, EXACTLY WHEN WE HAVE NEED FOR IT, AND IMPLIES ECONOMIC WARFARE GAMES AT A TIME WE ARE ATTEMPTING TO DIVORCE OIL FORM POLITICS. WE BELIEVE THE OBJECTIVES OF THE NOTE-TO HEIGHTEN THE CONSTRAINTS ON SAG BEHAVIOR TOWARD THE COMPANIES, AND TO JUSTIFY POSSIBLE ACTION AGAINST SAUDI ASSETS-SHOULD BE EASILY OBTAINABLE BY OTHER MEANS SHOULD THE OCCASION WARRANT AND WHEN IT DOES. TAKEN NOW, OUR ACTION WOULD BE GRATUITOUS, PROVOCATIVE, AND POSSIBLY LEAD TO A REACTION WHICH WE WON'T LIKE.
PORTER

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